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WORKERS' COMPENSATION PAYMENTS AND COSTS, 1979*

Benefits paid under State and Federal workers' compensation programs totalled $11.9 billion in 1979 (table 1). Of this total, $9.5 billion were paid under auspices of State laws and the program for the District of Columbia, and $2.4 billion under Federal law ($1.7 billion by the Black Lung Program and $0.7 billion by the Federal Employees Compensation Program). Payments in 1979 exceeded the corresponding 1978 amount by $2.1 billion or 22 percent.

The 22 percent increase in benefit payments was much larger than the $1.1 billion increase (13 percent) from 1977 to 1978. The large difference in annual growth in benefits was due in part to the spurt in payments under the Federal Black Lung Program. The Black Lung Benefits Reform Act of 1977 allowed many miners and survivors to claim benefits. As a result, payments which had been fluctuating narrowly at the $1 billion level each year from 1973 to 1978 jumped in 1979 to $1.7 billion.

Aside from the effects of the new Federal black lung benefits, the substantial increase in workers' compensation benefits can be attributed also to rising coverage and increased statutory maximum benefit amounts adjusted because of inflation. Table 1 shows that 78.2-78.9 million workers were protected by workers' compensation laws in 1979, an increase of 3 million or 4 percent, from 1978. The percentage increase was within one point of the change in each of the two previous years. Labor force growth has accounted for the rising number of covered workers in recent years rather than any significant improvements in statutory coverage provisions.

Higher maximum weekly benefits payable was the other major factor responsible for the 1979 rise in aggregate benefits. All jurisdictions except California made such increases in 1978 and/or 1979, mostly through provisions that require automatic changes in the maximum benefit amount as covered workers' earnings rise. No substantial changes were noted in rates of occupational injury and illness during 1979.

Type of Insurer and Benefit

Protection for workers' compensation may be provided through three types of insurance: private insurance, publicly operated funds, and self-insurance. During 1979 private insurance carriers paid $6.2 billion in workers' compensation benefits. This amount was 52 percent of the total, while benefits

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paid through public funds accounted for 34 percent and self-insurance payments were 14 percent. Excluding black lung payments, the share of benefits paid by each type of insurance was about the same as in earlier years: 61 percent, 23 percent and 16 percent, respectively.

The table shows two basic types of benefit in 1979 under workers' compensation: $3.5 billion in medical and hospital care benefits and $8.4 billion in (cash) compensation payments. Medical payments have been a minor part of the black lung benefits totals from the beginning of that program, and the large increase in black lung benefits during 1979 increased medical care benefits minimally. As a result, medical care benefits rose nationally by 17 percent from 1978 to 1979, 5 points less than the 22 percent increase for total workers' compensation benefits. Cash payments went up 24 percent, incorporating the large increment to black lung cash benefits. This change was in clear contrast to the 14 percent growth in cash payments in 1978.

The $1.3 billion in survivor payments in 1979 was 32 percent higher than the 1978 level, whereas the $7.1 billion in disability payments in 1979 was 23 percent higher than the level of the previous year. This differential in growth of payments made to survivors and to disabled workers reflects benefit patterns in the Black Lung Program. In 1978 survivor benefits under black lung accounted for a much higher proportion of total black lung payments (42 percent) than did regular program survivor benefits with respect to the regular program total (6 percent). Thus, the large growth in black lung benefits from 1978 to 1979 has an especially large effect on overall survivor benefit growth.

Cost Relationships

In 1979, the premium cost to employers of workers' compensation was $20.0 billion, a 17 percent growth over 1978. This growth rate was about the same as the benefit increase excluding black lung payments. An indication of the dramatic ballooning of costs in recent years is the fact that the 17 percent rise in 1979, while substantial, was not as great as in the previous three years (21 percent in 1978, 27 percent in 1977, and 24 percent in 1976).

This recent cost pattern is illustrated in the cost-payroll rates in table 1. The 1.93 rate of 1979, or $1.93 per $100 of covered payroll, was 7 cents above the 1978 figure. Seven cents is a larger change than in any other year in the historical series up to 1974; and yet, it is dwarfed by the rise of 13 cents in 1978, 25 cents in 1977, and 16 cents in 1976.

The benefit-payroll rate also continued to rise, from 95 cents per $100 payroll in 1978 to 98 cents in 1979. The significant increase in benefits throughout the 1970's vis-a-vis covered payroll is evident from the table. The rate increased only 8 cents from the end of World War II through 1969, but from 1969 through 1979 the rate went up 36 cents. Major improvements in statutory benefit provisions were made in the early 1970's, accounting for the rise in benefit-payroll rates during that time. However, the reason for the continued upward climb in this rate since approximately 1975 is unknown.

An expanded version of this note focusing on individual State trends will appear in a forthcoming issue of the *Social Security Bulletin.*

TABLE 1 .—Workers' compensation coverage, benefits, and costs, 1940, 1946, and 1948-79 1/

Calendar year	Ranges in estimated number of workers covered per month (in millions)	Benefits paid during year (in millions)								Cost of program as percent of covered payroll 5/ 6/	Benefits as percent of covered payroll 6/
		Total	Type of insurance			Type of benefit					
			Insurance losses paid by private carriers 2/	State and Federal fund disbursements 3/	Employers' self-insurance payments 4/	Medical and hospitalization	Compensation payments				
							Total	Disability	Survivor		
1940.....	24.2-25.0	$256	$135	$73	$48	$95	$161	$129	$32	1.19	0.72
1946.....	32.2-33.2	434	270	96	68	140	294	250	44	.91	.54
1948.....	35.6-36.3	534	335	121	78	175	359	309	50	.96	.51
1949.....	34.9-35.7	566	353	132	81	185	381	329	52	.98	.55
1950.....	36.5-37.2	615	381	149	85	200	415	360	55	.89	.54
1951.....	38.3-39.0	709	444	170	94	233	476	416	60	.90	.54
1952.....	39.1-39.7	785	491	193	101	260	525	460	65	.94	.55
1953.....	40.4-41.0	841	524	210	107	280	561	491	70	.97	.55
1954.....	39.5-40.0	876	540	225	110	308	568	498	70	.98	.57
1955.....	41.2-41.6	916	563	238	115	325	591	521	70	.91	.55
1956.....	42.8-43.1	1,002	618	259	125	350	652	577	75	.92	.55
1957.....	43.2-43.4	1,062	661	271	130	360	702	617	85	.91	.56
1958.....	42.4-42.6	1,112	694	285	132	375	737	647	90	.91	.58
1959.....	43.9-44.1	1,210	753	316	141	410	800	700	100	.89	.58
1960.....	44.8-45.0	1,295	810	325	160	435	860	755	105	.93	.59
1961.....	44.9-45.1	1,374	851	347	176	450	914	804	110	.95	.61
1962.....	46.1-46.3	1,489	924	371	194	495	994	879	115	.96	.62
1963.....	47.2-47.4	1,582	988	388	207	525	1,057	932	125	.99	.62
1964.....	48.6-48.9	1,707	1,070	412	226	565	1,142	1,007	135	1.00	.63
1965.....	50.6-50.9	1,814	1,124	445	244	600	1,214	1,074	140	1.00	.61
1966.....	53.5-53.8	2,000	1,239	486	275	680	1,320	1,170	150	1.02	.61
1967.....	54.9-55.1	2,189	1,363	524	303	750	1,439	1,284	155	1.07	.63
1967.....	56.7-56.9	2,376	1,482	556	338	830	1,546	1,381	165	1.07	.62
1969.....	58.8-59.1	2,634	1,641	607	386	920	1,714	1,529	185	1.08	.62
1970.....	59.0-59.3	3,031	1,843	755	432	1,050	1,981	1,751	230	1.11	.66
1971.....	59.2-59.5	3,563	2,005	1,098	460	1,130	2,433	2,068	365	1.11	.67
1972.....	62.1-62.5	4,061	2,179	1,379	504	1,250	2,811	2,351	460	1.14	.68
1973.....	66.0-66.5	5,103	2,514	1,998	592	1,480	3,623	2,953	670	1.17	.70
1974.....	67.8-68.2	5,781	2,971	2,086	724	1,760	4,021	3,351	670	1.24	.75
1975.....	67.0-67.4	6,598	3,422	2,324	852	2,030	4,568	3,843	725	1.32	.83
1976.....	69.3-69.9	7,597	3,976	2,589	1,031	2,380	5,217	4,402	815	1.47	.88
1977.....	71.8-72.4	8,623	4,629	2,743	1,252	2,680	5,943	5,068	875	1.73	.93
1978.....	75.2-75.9	9,735	5,256	3,049	1,435	2,960	6,775	5,815	960	1.86	.95
1979.....	78.2-78.9	11,872	6,157	4,039	1,676	3,470	8,402	7,137	1,265	1.93	.98

1/ Beginning 1959, includes Alaska and Hawaii.

2/ Net cash and medical benefits paid during calendar year by private insurance companies under standard workers' compensation policies.

3/ Net cash and medical benefits paid by competitive and exclusive State funds and by Federal system for government employees; and, beginning 1970, cash benefits paid by Federal "black lung" program.

4/ Cash and medical benefits paid by self-insurers, plus value of medical benefits paid by employers carrying workers' compensation policies that exclude standard medical coverage.

5/ Premiums written by private carriers and State funds, and benefits paid by self-insurers increased by 5-10 percent to allow for administrative costs; also includes benefits paid and administrative costs of Federal system for government employees.

6/ Excludes programs financed from general revenues--"black lung" benefits and supplemental pensions in a few States.

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